

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric Company for)
Approval of the Retirement of Diablo Canyon Power)
Plant, Implementation of the Joint Proposal, And)
Recovery of Associated Costs Through Proposed)
Ratemaking Mechanisms)

(U 39 E))

Application 16-08-006
(Filed August 11, 2016)

PROTEST OF THE CITY OF LANCASTER

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September 15, 2016

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PROTEST OF THE CITY OF LANCASTER

Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the Public Utilities Commission of the State of California (“Commission”), the City of Lancaster (“Lancaster”), hereby files this protest to Pacific Gas and Electric Company’s (“PG&E”) application for approval of its retirement of Diablo Canyon Power Plant, implementation of a joint proposal (“Proposal”) and recovery of associated costs (“Application”).¹ Notice of PG&E’s Diablo Canyon Power Plant Application first appeared in the Daily Calendar on August 16, 2016. Therefore, in accordance with Rules 2.6 (a) and 1.15, this protest is timely filed.

I. INTRODUCTION

PG&E’s Proposal to shut down Diablo Canyon is vast in scope, and while it includes a valid request to decommission the plant, it also seeks approval for new policies, resource procurement, cost recovery, and special arrangements with stakeholders. These additional requests ignore decades of policymaking by the California Legislature (“Legislature”) and regulatory guidance by the Commission. The decommissioning of Diablo Canyon deserves

¹ *Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, And Recovery of Associated Costs Through Proposed Ratemaking Mechanisms*, August 11, 2016 (A. 16-08-006).

attention from the Commission, but there is no need to revisit other policy issues that are the product of substantial time and effort from various parties and the Commission, and that have long been decided. Furthermore, taking on all the issues in PG&E's Application in a single proceeding will result in a flawed process that is both unwieldy and inefficient.

PG&E's Application also seeks approval for a substantial amount of replacement power, without a sufficient showing of need. There is no question that Diablo Canyon generates a substantial amount of power, but as PG&E's Application acknowledges, the power landscape in California is changing and Diablo Canyon will not be needed at the end of its license period. Because the need for replacement power is uncertain, and may be significantly less than what Diablo Canyon generates, the issue should be studied comprehensively before any new procurement is authorized.

Finally, Lancaster is concerned about the tremendous costs that would follow from PG&E's Application. PG&E's proposal to replace power from Diablo Canyon with various Greenhouse Gas ("GhG") free resources is commendable, but PG&E proposes to recover the cost of replacement power through new and existing non-by-passable charges, ignoring existing policy. The new cost recovery policies and cost recovery proposals must also be studied and may not be justified.

Given these concerns, Lancaster respectfully requests that the Commission take the following actions:

- Decommissioning aside, the Commission should reject PG&E's proposal without prejudice or substantially narrow the scope of the proceeding, and direct PG&E to seek regulatory approval for its other requests under existing policies.

- The Commission and stakeholders should undertake an analysis of the need for replacement power before any procurement is approved.
- The potential cost to ratepayers, whether bundled or unbundled, is unparalleled and should be examined rigorously within the existing cost recovery policy framework.

II. BACKGROUND

Lancaster is a community of approximately 160,000 residents located in northern Los Angeles County, in the High Desert region of the western Mojave Desert, which is rich in solar resources. Lancaster is pursuing alternative energy solutions, principally solar energy, in hopes of bettering the current and future environmental and economic conditions of its community and region. As a means of advancing these goals, the Lancaster City Council has approved Lancaster's CCA program, known as Lancaster Choice Energy ("LCE"), which launched in May 2015 with partial rollout to municipal accounts and full rollout to residential and commercial accounts in October 2015. Lancaster now serves approximately 55,000 customers.

Lancaster has several interests in this proceeding. Given the precedential nature of PG&E's Application and its probable effect on the Integrated Resource Planning proceeding,² to which Lancaster is a party, the Application involves broad issues that are not limited to entities within PG&E's service area. These issues include resource procurement, GhG reduction and cost recovery, among others. With respect to these issues, Lancaster has serious concerns about PG&E's Application and expects to be an active participant in the proceeding.

² See *Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements*, February 19, 2016 (R. 16-02-007).

III. PROTEST

A. PG&E's Proposal for Diablo Canyon Entails a Flawed Process and Should Be Rejected without Prejudice or Significantly Narrowed in Scope

PG&E's Proposal to shut down Diablo Canyon ignores decades of policymaking by the Legislature and regulatory activity by the Commission on issues ranging from renewable energy to cost recovery. There is little question that the decommissioning of Diablo Canyon deserves attention from the Commission, but PG&E's Application does not stop there. Rather, it strays into policy decisions about preferred resources and cost recovery, includes plans to procure a substantial amount of replacement power, and seeks approval for labor and employment programs and special property tax arrangements.

The Legislature and the Commission, however, have been working on these issues for years and established several avenues and programs for addressing the same needs. Renewable procurement, for example, has been the subject of intense activity at the Legislature and the Commission as of late, culminating most recently in the passage of Senate Bill ("SB") 350 and its implementation in the IRP proceeding,³ among a number of other renewable energy policies.

Yet PG&E disregards existing laws and policies related to preferred resources and resource planning in favor of its own new policies. For example, PG&E seeks approval for replacement power in various tranches that it developed.⁴ While the replacement power proposed is anticipated to further contribute to GhG reductions, the Commission should not be swayed. Such power can simply be incorporated into PG&E's IRP and adopted as part of the IRP process,⁵ or procured and approved through existing Renewable Portfolio Standard ("RPS")

³ See R. 16-02-007.

⁴ A. 16-08-006 at 9.

⁵ A. 16-08-006 at 9. PG&E anticipates that system-wide resources may be addressed in the IRP proceeding, but seeks approval for other resources through its Application.

mechanisms. It is not PG&E's role to dictate in advance the type of power that should be procured and the policies that govern its approval.

Furthermore, taking on all the issues in PG&E's Application in a single proceeding would be a massive undertaking that would not only be difficult to manage but would ultimately be a misuse of Commission and party resources. Decommissioning alone will entail an in depth review of the state of Diablo Canyon, the steps required to safely dismantle it and the costs required to do it. Add new procurement to the mix, just one component of PG&E's proposal, and the Commission will be facing a multi-year proceeding that involves dozens and dozens of parties at extraordinary expense to all involved. From a process and administrative perspective, PG&E's Application makes no sense.

Because the process that PG&E proposes is flawed, Lancaster respectfully requests that the Commission reject the Application without prejudice, or substantially narrow the scope of the proceeding, and advise PG&E to file separate applications through the appropriate channels.

B. The Need for Replacement Power Must Be Analyzed and Determined Before Additional Procurement Is Approved

As PG&E acknowledges in its Application, the energy landscape in California is changing, and Diablo Canyon will not be needed at the end of its current license period.⁶ Given that, there may not be a need to replace all the power currently generated by Diablo Canyon, and to the extent replacement power is needed, PG&E may not be the Load Serving Entity ("LSE") that provides it. The need for replacement power must be analyzed and determined before additional procurement is approved. Even in the case of San Onofre Nuclear Generating Station ("SONGS"), which was forced to close with little warning as a result of malfunction, the

⁶ A. 16-08-006 at 5.

Commission engaged in a review of the need for replacement power and determined what the appropriate levels of new procurement should be.⁷

Once the level of replacement power is determined, then it can be procured in the required amount and from the preferred generation sources. Any new procurement that results from the closure of Diablo Canyon should be authorized under existing procurement policies, such as the Renewable Portfolio Standard (“RPS”), and under existing rules, rather than predetermined by PG&E and authorized in a special proceeding where normal operating procedure is suspended.

C. Non-by-Passable Charges Are a Departure from Existing Policy, Must Be Examined Rigorously and Are Not Necessarily Justified

Although short on details, PG&E’s Application includes a request for cost recovery through new and existing non-by-passable charges. For certain resources, PG&E seeks to establish a new “Clean Energy Charge”⁸ that would be recovered from all customers in its territory, whether they receive power from PG&E or not. The Clean Energy Charge, for example, would be imposed on CCA program customers even though they are not served by PG&E. PG&E may also be proposing to recover costs through a mechanism that is similar, but not identical to CAM.⁹

The proposed charges are a departure from existing cost recovery policies, such as the Power Charge Indifference Adjustment (“PCIA”) and the Cost Allocation Mechanism (“CAM”), by which PG&E is able to recover costs from bundled and unbundled ratepayers. These policies have been in place for years, and have been refined over time. The development of new non-by-

⁷ See *Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans*, March 27, 2012 (R. 12-03-014).

⁸ A. 16-08-006 at 12.

⁹ A. 16-08-006, Attachment A: Joint Proposal at 9.

passable charges and approval of costs should be treated with great caution and rigorously examined. From Lancaster's perspective, there is no basis in law or policy for new charges, and the charges do not appear to be justified.

IV. PROCEDURAL MATTERS

As requested in Rule 2.6(d), the CCA Parties provide the following responses:

A. Proposed Category

The instant proceeding is categorized at "ratesetting" but due to its novelty and complexity, and the serious policy outcomes at stake, many of PG&E's various requests should be addressed in other proceedings that may be categorized differently.

B. Need for Hearing

Should the Commission agree to hear PG&E's request, Lancaster believes that a series of evidentiary hearings will be necessary for the purpose of addressing the need for replacement power, cost recovery and other issues. There are a number of factual issues that need to be considered in order to develop a record for action by the Commission, and such a record cannot be developed without evidentiary hearings.

C. Issues to Be Considered

The major issues in this proceeding include the decommissioning process and costs, replacement power needs, and cost recovery policy and authorization, but there are literally dozens of other issues at stake. Given the extremely broad and complex nature of PG&E's Application, Lancaster reserves the right to raise additional issues at a future date.

D. Proposed Schedule

The schedule proposed by PG&E is impractical and unrealistic.¹⁰ PG&E's Application raises dozens of issues that need to be addressed, and that will require rigorous study, evidentiary hearings, and extensive comments and briefing. These issues will take time to address, and a decision from the Commission in less than a year is not realistic. Lancaster's view is that the Commission should reject PG&E's Application without prejudice, but if the Commission instead prefers to narrow the scope of the proceeding and go forward, then an orderly schedule can be developed based on limited scope. The order and duration of the schedule will depend on the extent to which the scope of the proceeding can be limited.

V. PARTY STATUS

Pursuant to Rule 1.4(a)(2), Lancaster hereby requests party status in this proceeding. As described above, Lancaster has a material interest in the matters being addressed. Lancaster designates the following persons as the "interested party" in this proceeding:

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VI. CONCLUSION

While Lancaster recognizes the need for the Commission to address decommissioning and supports the procurement of renewable energy, PG&E's Application as proposed would kick start a flawed process. Instead, the Application should be subject to a reasonable process that includes thorough review and examines PG&E's proposals under existing procurement and cost recovery policies. Specifically, Lancaster requests that the Commission do the following:

¹⁰ A. 16-08-006 at 18.

- The Commission should reject PG&E's proposal without prejudice or substantially narrow the scope of the proceeding, and direct PG&E to seek approvals for its requests under existing policies and through normal regulatory channels.
- The Commission should order a study of the need for replacement power before any procurement is approved.
- Costs should be examined rigorously and should be analyzed within the existing cost recovery policy framework.

September 15, 2016

Respectfully Submitted,

/S/ Cathy DeFalco

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